

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS VIENNA 002696

SIPDIS

DEPT FOR EB/CIP (TIMOTHY FINTON) AND EUR/AGS

USDOC FOR NTIA (CHRISTINA SPECK)

USDOC FOR OTT (JOSEPH BURTON)

E.O. 12958: N/ A

TAGS: [ECPS](#) [ETRD](#) [EU](#) [AU](#)

SUBJECT: AUSTRIAN SUBSIDIARY OF WESTERN WIRELESS SOLD

REFS: A) VIENNA 2530 B) VIENNA 0138

Summary

-----

[1](#)1. On August 9, T-Mobile, a subsidiary of the German Telekom's T-Mobile group, bought tele.ring, the successful Austrian mobile phone subsidiary of Alltel/Western Wireless, for Euro 1.3 billion. With the purchase of tele.ring, T-Mobile solidified its place as the number two mobile phone operator in Austria. Austria's largest operator, Mobilkom, and T-Mobile now have over three-fourths of the Austrian mobile phone market, raising duopoly concerns. Austrian telecomm regulators and the European Commission plan to review the takeover to ensure conformity with EU merger regulations. End Summary.

U.S. Subsidiary tele.ring Sold

-----

[1](#)2. On August 9, T-Mobile, a subsidiary of the German Telekom's T-Mobile group and Austria's second largest mobile phone operator, purchased tele.ring, the successful Austrian mobile phone subsidiary of Western Wireless, which Alltel recently purchased. In an unexpected development on July 29, T-Mobile submitted a last-minute Euro 1.3 billion bid for tele.ring, reportedly outbidding the only previous bidder, the U.S. private equity firm Permira, by Euro 70 million. T-Mobile did not engage in a due diligence check and did not demand a discount because of a new tax on mobile phone masts in the state of Lower Austria (ref A).

[1](#)3. July 2005 statistics indicate T-Mobile is the number two operator in Austria with a 25.3% market share. Mobilkom, a subsidiary of Telekom Austria, is the number one operator with a market share of 40.7%. "One" holds the number three market position with 18.9%, followed by tele.ring at 11.4% and Hutchinson "3" Austria with 3.7%. The tele.ring takeover will boost T-Mobile's market share to 36.7%, close behind Mobilkom. However, analysts predict that up to 20% of tele.ring's customers may change providers following the takeover. Hannes Leo, telecom expert with the Austrian Institute for Economic

Research, expects market concentration and the absence of tele.ring's aggressive sales and pricing policies will lead to reduced competition and higher mobile phone fees in Austria.

14. Mobilkom and T-Mobile together will hold more than three-quarters of the Austrian mobile phone market (77.4%), which constitutes a de-facto duopoly. Given the size of the deal and the potential impact on the Austrian market, Walter Barfuss, Head of Austria's independent Federal Competition Authority, said that T-Mobile must now notify the European Commission about the tele.ring purchase. Georg Serentschy, Managing Director of Austria's telecom regulator (RTR), announced that RTR will review the takeover's impact on competition, as well as frequency issues. Serentstschy did not exclude that the RTR might impose conditions on the takeover.

Comment

-----

15. With tele.ring's takeover, the U.S. business community in Austria lost a prominent and successful U.S. investor. The tele.ring sale did not result from Austrian investment and economic factors, but, rather from Alltel's decision to divest all of Western Wireless' overseas operations.

van VOORST